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H.K. Completes Implementation of Beef Access Agreement with Canada

Report Categories:

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Report Highlights:

The Hong Kong Center for Food Safety (CFS) announced on December 6 that, effective immediately, it was implementing the third and final phase of its beef agreement with Canada. The agreement was announced in January 2009. All economically significant beef products from Canada now have access to the Hong Kong market. Trade sources predict the agreement will increase the likelihood of Canadian bone-in beef gaining permanent market share in both Hong Kong and China at the expense of the United States. Other sources claim the most important aspect of the announcement is that it makes Hong Kong the only major market in Asia -- and one of the few in the world -- where importers can purchase the full range of products specified as safe by World Organization for Animal Health (OIE) guidelines for BSE affected countries.

Imports of U.S. beef remain restricted to boneless meat from animals under thirty months of age (UTM). U.S. authorities rejected a proposal similar to the one offered Canada due to the fact that the Hong Kong proposal was neither technically justified, nor did it provide a clearly defined path to full market access. However, joint efforts to overcome these differences have recently recommenced. Despite the current restrictions, the excellent reputation of American products and a weak dollar are expected to propel 2009 U.S. beef exports to Hong Kong to pre-BSE levels.

General Information:

The CFS announced on December 6 that, effective immediately, it was implementing the third and final phase of its beef agreement with Canada. The implementation of Phase III extends access to T-bones and certain other “vertebral column” cuts from cattle UTM, and means that all economically significant beef products from Canada now have access to the Hong Kong market.

In early 2009, the Canadian and Hong Kong governments agreed to open Hong Kong’s market to bone-in beef in three phases. The first phase, implemented in March, expanded access from boneless beef UTM to beef rib cuts and other bone-in products (except vertebral column) from cattle UTM. The CFS implemented the second phase in late June 2009, and further broadened access by eliminating the age restrictions on all Phase I cuts and boneless beef, as well as granting access to tails and certain offals (i.e. organ meats).

The import ban will remain in place for vertebral cuts from animals over thirty months, as well as for certain other products (e.g. tonsils, spinal cord, eyes) identified by OIE as “specified risk material” for BSE.

The Hong Kong government suspended beef imports from Canada in May 2003 after the detection of a case of BSE in Canada. In November 2004, Canada gained access for UTM boneless beef after agreeing to Hong Kong specifications. Similarly, Canada won access for bone-in beef by agreeing to Hong Kong’s stipulation of a phased opening for other cuts, to be implemented over a 9-12 month period.

The reaction of Hong Kong importers of U.S. beef to Canada’s increasing access has been one of frustration. They claim that the longer Canadian bone-in beef has sole access to the Hong Kong market, the greater the chances that it will win a “permanent and significant” share of a market segment that the United States has historically dominated. As evidence, they cite the recent (2004) experience when Canada accepted Hong Kong’s conditions for boneless beef access approximately one year before the United States did, resulting in major benefits for Canadian exports (see table). Traders also argue that, given the porous border in beef between the Hong Kong Special Administrative Region and China,

the delayed entry of U.S. bone-in beef to Hong Kong will also give an advantage for Canadian beef in China. They attribute the surprisingly weak increase in Hong Kong imports of Canadian beef in 2009 to the strong Canadian dollar and substitution of Canadian boneless for bone-in cuts.

As advantageous as this agreement may be for Canadian beef, other industry sources claim the most important aspect of the announcement is that it makes Hong Kong the only major market in Asia — and one of the few in the world -- where importers can purchase the full range of products specified as safe by OIE guidelines for BSE affected countries.

Imports of U.S. beef remain restricted to boneless meat from animals UTM. U.S. authorities rejected a proposal similar to the one offered Canada due to the fact that the Hong Kong proposal was neither technically justified, nor did it provide a clearly defined path to full market access. However, U.S. and Hong Kong officials have re-initiated the process that, if successful, would ultimately result in a re-opening of the Hong Kong market to virtually all U.S. beef products. Despite the restrictions on U.S. beef, the combination of strong consumer confidence, demand for quality, and a weak U.S. dollar have led to strong gains for U.S. beef in 2009. Post estimates total 2009 exports will achieve pre-BSE levels, and surpass Australian exports for the first time since 2003.

Statistics:

Hong Kong's Imports of Beef, Beef Products and Offals, US\$ million

Country	2002	2003	2004	2005	2006	2007	2008	2009 (estimate)
The World	256	322	279	320	384	528	814	1,150
Brazil	68	103	131	141	189	284	465	625
Argentina	19	30	40	36	33	50	82	125
Australia	20	20	27	35	40	50	57	80
U.S.	86	109	7	0	16	37	55	100
China	22	24	29	29	31	33	43	40
Canada	7	2	11	41	33	30	34	40
New Zealand	17	18	20	15	18	21	30	40
Uruguay	7	6	7	8	8	10	29	55
Others	8	10	8	14	15	13	19	45

Source: World Trade Atlas – Hong Kong Census & Statistics Department